Fibre Box Association

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Docket Unit
California Energy Commission
Docket No. 01-GGE-1
1516 Ninth Street, MS 4
Sacramento, California 95814-5512
DOCKET@energy.state.ca.us

RE: Comments on Proposal
Project Protocol

Dear Sir/ Madame:

The Fibre Box Association (FBA) is a trade association comprised of 155 corrugated box manufacturers representing over 95% of the corrugated production in the U.S. FBA members contribute significantly to the economy of the state of California with 67 manufacturing facilities providing a wide range of corrugated products to their customers. The members of the Association, for years, have been involved in all variables of the climate change equation from development of technology and quantification methodologies to management of systems and emerging policy issues. Because of member's involvement in the early development of the concept and quantification of product carbon sequestration as a justifiable reduction element in the GHG inventory of entities and projects, we are very appreciative of the Registry's willingness, and initiative, to recognize product carbon sequestration as a valid element in an entity's GHG inventory and registry. We support this step of the Registry that complements the spirit and text of the three enabling pieces of California law- SB 1771, 527 and 812.

In spite of our support for the recognition of the concept and practice of product carbon sequestration we have concerns to specific concepts and requirements of this draft proposal. Suffice to say that this announcement as it trickles down to different stakeholders in the product value chain, and experts in the field of GHG inventories, is creating concerns and stresses not unique to the FBA member companies. We recognize this is an emerging field and California registry has taken a quantum leap forward in this area.

This complex stage in the registry's development and the issuance of the proposal have been done in an accelerated fashion without proper involvement of different stakeholders who will be directly affected by this action or who have a reasonable interest on the issue. Neither the emerging state of the art in methodology for the quantification of product carbon sequestration has reached the decision-making process in the proposal.

We have submitted already that the comment period for this proposal is extremely short without proper preparation for commenting (May 24) for a workshop (May 27) and final comments deadline by June 3. It is still possible for California registry to extend the commenting period allowing those who wish to do so to submit additional information.

We believe our comments in the following are provided in a constructive spirit, providing workable alternatives to those practices we are objecting. Only in this manner our common interests would be advanced in a practical and ecological sound manner. We would like to divide our comments in two major sectors. One having to do with the quantification methodology offered by the proposal and the other regarding distressing issues of ownership and rights implied in the text of the proposal.

Quantification methodology

The proposal, in its Step 7, and related text, follows fairly closely the steps in the national GHG Inventory annual report that must be supplied the United Nations Framework Convention on Climate Change per its article 5. This is the approach with considerations for the entire country and in a top-to-bottom fashion. It follows general considerations in the Guidelines of the Intergovernmental Panel on Climate Change on two possible alternatives. In the one chosen by EPA, the entry for the forest carbon flux is disaggregated in forest and harvested wood stock and the latter into products in use and landfill.

An important, overarching consequence of the proposed methodology is the consideration of volumetric or material sustainability, one of the different elements in forest sustainability. Traditionally, the balance of harvest v. growth has been considered the criterion for this material sustainability. The proposal changes this traditional balance, by providing an additional quantity of harvesting to equate the new balance equation. The long-standing implications of this new consideration are difficult to quantify or define entirely in the brief time allocated for commenting but it appears significant. It is not difficult to anticipate unjustified allegations and misperceptions to and about the forestry sector in respect to a de facto additional logging. These misperceptions would not contribute to the best utilization of resources and in the efforts for climate change amelioration.

A very preliminary review of the calculation step reveals quite a number of levels of estimation in order to ascertain the final product carbon pool quantity for crediting. Rather than starting at the manufacturer level, where production figures are very accurate and official since they are part of the accounting and tax calculation and reporting, the proposal moves upstream without a tracking chain of custody. There is a complete lack of chain of custody from harvesting to production facility output. The levels of inaccuracy are compounded along the way from the boles that are brought to the manufacturing site and there converted into useful products. As proposed, questionable assumptions in the material or volumetric conversion of wood fiber into products have been made. Proper tracking into the different categories of forest products is also ignored. This process will inevitably be less accurate in quantifying the product carbon pool or would require excessive costs that will discourage prospective registrants.

Validators or certifiers of these credits in the manner proposed, and in view of the chain of custody deficiencies indicated in the above, will be hard pressed to provide a proper verification when so many different estimation steps are staggered in time. They could be open to all sorts of objections and added liabilities making the system unworkable by absenteeism. Both crediting and trading in a future will be seriously jeopardized.

Another objectionable effect of the method proposed by California registry is that using the California approach; the stocks of carbon in the forest products pool only begin to accumulate after the first year that the entity reports. This results in a "startup effect" in the results that is illustrated in the following table, using data in an example in the California Forest Protocol Report (pg 35). The National Council for Air & Stream Improvement (NCASI) has submitted comments to the effect that we succinctly repeat here for completeness.

"In the example, a company manufactures wood products each year that contain 219,300 pounds of carbon. It is assumed that this annual output remains constant over time. Using the California approach, in spite of the company's constant output, the annual stock change in the product pool is highest in year one and becomes smaller in each subsequent year. In national accounting, this startup effect is dealt with, in part, by extending the analysis back in time, usually to 1900. For a variety of practical reasons, however, this is not an option for entity-level accounting.

Year	Carbon in new production	Carbon in product pool at beginning of year	Carbon in pool at end of year	Annual product pool stock change
1	219,300	0	217,128	217,128
2	219,300	217,128	432,107	214,978
3	219,300	432,107	644,957	212,850
4	219,300	644,957	855,699	210,742
5	219,300	855,699	1,064,354	208,655
70	*219,300*	*10,892,294*	*11,001,566*	*109,272*

This startup effect is an undesirable feature for an entity-level accounting method. Instead, the method used for entity-level accounting should be constructed so that it produces annual stock change results that are constant over time for companies with constant annual output over time. The 100-year method, outlined in the attached manuscript, accomplishes this.

It should also be pointed out that the proposed California approach would require entities to continuing reporting for any given year's production "to year 70 or when the amount harvested has decayed to zero." Using the California approach, however, the remaining stocks never decay to zero so reporting to year 70 would always be required. A more

reasonable approach would, instead, account for these long-term effects on a one-time basis in the year the production occurred. This would relieve the entity of having to carry current production into calculations for many years into the future. The 100-year method accomplishes this."
These are two additional consequences and complexities on the proposed method that together to those already cited above question the feasibility of this approach.

Validators or certifiers of these credits in the manner proposed, and in view of the chain of custody deficiencies indicated in the above, and other described issues above will be hard pressed to provide a proper verification when so many different estimation steps and complexities are staggered in time. They could be open to all sorts of objections and added liabilities making the system unworkable by absenteeism.

A better approach. We realize the registry, in the short time allocated for the preparation of this proposal could not have reviewed all the emerging technical literature that is shaping or coalescing in the recent time and which present a much practical, accurate method when looking from the producer perspective. There are other methods, more standing in longevity and peer scrutiny that the proposed that achieve these goals of feasibility and accuracy. Such method, with international recognition by peers, is available in an ISO publication, ISO 14047 and in other references on the web, and through the AF&PA and NCASI organizations of the industry. It is based on the accurate production output at the facility or entity and includes wide variety of forest products, solid wood and paper. Such information was advanced recently to the registry and review panel, some members of and more recently as part of the commenting proceedings by a member company, Georgia-Pacific, and it is our understanding by the AF&PA, APA and NCASI organizations.

We strongly urge the California registry to give adequate consideration to this approach, which appears sanctioned from those with more stakes in the issue of accuracy and practicality.

Registration

It is our understanding that at the recent workshop, officials of the registry deliberately made clear to those in attendance that there was not the intention of the proposal to assign ownership or rights for reporting but rather the quantification methodology could have given that impression. Such statements comfort us because indeed the approach and the text of the proposal give reasons of concern to those manufacturing the products which useful life creates the carbon pool. The following explains our concerns on this matter.

The proposal, as it pertains to the recording of projects into the registry as well as the calculation step No. 7, excludes without justification the manufacturers of the biomass products on which the calculations are made. In our interpretation only the "forest entity" can register any quantity of the product carbon pool based on very inaccurate

estimations. The rights of the manufacturer, who separately are encouraged to register its direct emissions in the registry, are ignored when the reporting and crediting are defined, this in spite the fact that there has been a purchasing transaction and discernable chain of custody. Since there is no reference about the “forest entity” accruing for the GHG emissions of the manufacturers in the production of those products, this proposal structure penalizes the manufacturer for its GHG emissions but provides no credit for their contribution to the carbon product pool.

Nothing in the enabling statutes invoked by the registry seems to support either the granting to the “forest entity” the right of registration of the product carbon credits or the prohibiting the manufacturer of these products from registering those credits. In fact paragraph 2) in the digest of SB 812 clearly states that the bill would “require the registry to adopt procedures and protocols for the reporting and certification of GHG emissions reductions resulting from a project or an action of the participant.” It seems obvious that the only actions leading to the creation of products resulting in a product carbon pool are those of the manufacturers.

In this sense, California law differs from Georgia law, substitute of SB 356, which establishes a registry for carbon sequestration but considers the registrant as any entity involved in any of three different listed human-induced activities creating removals by carbon sinks including product sinks since it adds “products” to ecosystem and crops in the Act’s definition of sinks.

We respectfully consider the registry needs to expand in the definition of the registrant or participant in order not to deprive the manufacturing sector of its right to report product carbon credits. If and when these credits could be allocated downstream the manufacturer of biomass products either by market forces or contractual arrangements, is premature to consider now. Suffice to say that the manufacturer shipping is the farthest and more accurate manner to record the product carbon pool by entities. Once shipped, these records are like feathers in the swirls of a tornado. Impossible to gather.

We appreciate the opportunity to offer these comments and are prepared to answer any questions or provide additional information to assist in developing a fair, practical and effective Protocol.

Respectfully,

Brian O’Banion
Vice President